



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL  
SERVICES

**Reference: Commercial regional aviation services in Australia and alternative  
transport links to major populated islands**

WEDNESDAY, 16 APRIL 2003

ADELAIDE

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**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES**

**Wednesday, 16 April 2003**

**Members:** Mr Neville (*Chair*), Mr Gibbons (*Deputy Chair*), Mr Andren, Mr Haase, Ms Ley, Mr McArthur, Mr Mossfield, Ms O'Byrne, Mr Schultz and Mr Secker

**Members in attendance:** Mr Gibbons, Mr Haase, Ms Ley, Mr McArthur, Mr Neville and Mr Secker

**Terms of reference for the inquiry:**

To inquire into and report on:

Commercial regional aviation services in Australia and alternative transport links to major populated islands.

**WITNESSES**

**BLYTHE, Mr Michael, Manager Infrastructure, Corporation of the City of Whyalla..... 390**

**HOPE, Mr Keith, Community Projects Development Manager, Northern Areas Council..... 404**

**MILLN, Mr Michael David, Senior Adviser, Aviation, South Australian Department of  
Transport and Urban Planning, Transport Planning Agency..... 369, 389**

**PEEK, Mr Trevor, Economic Development Officer, District Council of Coober Pedy ..... 382**

**SMITH, Mr John Donald, Mayor, Corporation of the City of Whyalla ..... 390**

**Committee met at 9.03 a.m.****MILLN, Mr Michael David, Senior Adviser, Aviation, South Australian Department of Transport and Urban Planning, Transport Planning Agency**

**CHAIR**—Good morning. I declare open this public hearing of the House of Representatives Standing Committee on Transport and Regional Services in its inquiry into commercial regional aviation services in Australia and transport links to the major populated islands. Today's hearing is part of the committee's program of visits and hearings to different parts of Australia. On Monday, the committee held a public hearing in Adelaide. Yesterday, the committee travelled to Kangaroo Island for a public hearing, which we believe was the first by a federal committee on that island. At today's public hearing we will hear from additional witnesses, both from the South Australian government and from the local authorities of South Australia. I welcome Mr Milln. Would you please state the capacity in which you appear here today?

**Mr Milln**—My title is senior adviser, aviation. I am presently acting director of transport policy for the Transport Planning Agency of the state government Department of Transport and Urban Planning.

**CHAIR**—Although the committee does not require you to give evidence on oath, I am sure that, as a public servant, you would understand that I have to advise you that these are formal proceedings of the federal parliament and warrant the same respect as proceedings of the House itself. It is customary to remind all witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Having said that, you are most welcome. Do you wish to make a five- to seven-minute opening statement? Then I think we would like to break into some interaction.

**Mr Milln**—I think it might be useful if I did. Firstly, thank you for providing me with the opportunity to address your committee. The South Australian government made a submission to the committee in September 2002. That submission was endorsed by state cabinet, so it represents the government's views on the issues and is not a departmental document. The submission speaks for itself, but I am happy to summarise it and either answer your questions or possibly take some questions on notice as necessary and provide a written response later.

I need to say at the outset that my areas of responsibility, certainly in my role as aviation adviser, are mainly confined to aviation issues, although our submission also addresses issues relating to ferry services to KI. If the committee wishes to ask questions about that aspect of our submission I will certainly do my best to answer them, but I suggest that the department's issues paper on Kangaroo Island ferry links will be a most useful source of information for the committee. I would like to table that document now, if I may.

**CHAIR**—Certainly. Is this a supplementary submission or an exhibit?

**Mr Milln**—It is an exhibit.

**CHAIR**—Would one of my colleagues like to move that we take this exhibit into the record?

**Mr GIBBONS**—So moved.

**CHAIR**—Are there any objections? There being no objections, it is so ordered. Thank you for going to the trouble of preparing this for us.

**Mr Milln**—I should make the distinction that this is a departmental document. It seeks to explore all the issues—

**CHAIR**—It is not confidential, though?

**Mr Milln**—No, it is not confidential. In fact, it is presently out for public comment. Our submission seeks to provide background about South Australia's aviation policy in the context of the state's regional air service history, so we went to some lengths to describe that history and to comment on the government's particular interests in the issues under examination by the committee. I am sure that the committee will have heard a fairly consistent story around the country that regional air services are contracting and regional air operators are failing in increasing numbers. South Australia is no different from the rest of the country—that situation applies here. Our submission provides details of that accelerating attrition over the past several years.

The reasons for it are many and varied, but it seems to me that they all relate in one way or another to increasing costs and declining patronage—a combination of those two factors. We describe fully in our submission the reasons for increasing costs and for declining patronage. The South Australian government, in spite of these factors at work, has a long established policy of not intervening in the state aviation market. It never has, and it is one of the few states not to have done since the Commonwealth's withdrawal from intrastate economic regulation in 1979. Generally, that has resulted in good outcomes for South Australia. Progressive studies have suggested that our fares are generally lower than those on equivalent routes in the regulated states. The routes generally have higher frequency, although with smaller aircraft, and we have been able to maintain a solid core of reasonably stable routes.

However, while route rationalisation in the past has mainly involved routes with other reasonable transport alternatives, recent withdrawals give more cause for concern. This and what a year ago appeared to be a looming catastrophe—the possible failure of the state's largest regional carrier, Kendell Airlines—caused the government to change that quarter of a century policy and to enact route licensing legislation for the first time.

That legislation is aimed at the very marginal single operator routes and the government has deliberately chosen to apply it reactively as a last resort. We are very reluctant regulators. That legislation will only be invoked if we see services in jeopardy or possibly to recover services that have failed in the past. So far no licence has been issued, although three routes have been considered and negotiations are in progress on one route.

The government assists the regional aviation sector in other ways, as detailed in our submission. We contribute for instance to airport inspections and the training of airport reporting officers; we contribute—and we are only one of two states to do so—to the Commonwealth's Remote Air Service Subsidy scheme; and we have conducted a program of refurbishment of remote airstrips. But the government does not subsidise regional airlines other than through its contribution to the RASS scheme and it has stated that it does not intend to.

Subsidisation of commercial airline services is not its core business and it does not consider it an appropriate role for governments.

Our submission, however, highlights how changing Commonwealth policy has contributed to the disadvantage of the sector and created funding gaps. Withdrawal from regional airport funding, implementation of location specific charging regimes which disadvantage the smaller centres and cost recovery programs all contribute to the cost side of the regional aviation sector. That is all I need say as an opening statement. I am happy to respond to your questions.

**CHAIR**—We have not got a lot of time and we have a lot of questions to ask. The first one concerns the point—and you just touched on it in your last few comments—that the South Australian government does not see its role as assisting airlines to service routes in South Australia. But is it not the case that intrastate air services are the responsibility of state governments?

**Mr Milln**—In the regulatory sense, yes.

**CHAIR**—But you have introduced a system of competitive licensing where you believe that, where two or more companies servicing one route will not be to the long-term benefit of that area, you restrict that to one licence.

**Mr Milln**—That legislation was passed or came into effect on 14 November.

**CHAIR**—Do you feel it is working? The question is not a loaded one. We are interested to know.

**Mr Milln**—It is not working in the sense that no licences have yet been applied, but the legislation is there to assist those very marginal routes when, and if, it becomes necessary.

**CHAIR**—My next point strays away from your aviation role a little but you are aware of the terms of reference. On Kangaroo Island we noticed some particularly good roads and some very poor ones. We were told that the roads were upgraded on Kangaroo Island as part of a deal when the state government withdrew its subsidised ferry service. But there is no ongoing commitment to the upgrading of those roads. They have been handed back to the local council.

Our experience has been that while the federal government is responsible for the national highway—even in Tasmania the road from Hobart to Devonport is treated as the national highway—for example on Flinders Island, the state government subsidises the main artery through the centre of the island, not the roads coming off it, as though it were connected to the mainland. Will that be your policy on Kangaroo Island? Do you know what the government's thinking is on that?

**Mr Milln**—That issue is partially addressed in the issues paper I gave you. No, my understanding is that it is not the government's intention.

**CHAIR**—Could you get back to us with an official response on that—

**Mr Milln**—Yes, certainly.

**CHAIR**—with the appropriate colleague who handles that matter?

**Mr Milln**—Yes, I would be glad to.

**CHAIR**—That issue is seminal to a number of things.

**Mr Milln**—The question as I understand it is: does the government have a policy to take over council administered roads on Kangaroo Island?

**Mr SECKER**—Just the main roads.

**CHAIR**—In other words, if Kangaroo Island were linked to the mainland in some way, to a state highway, obviously the state government would look after that highway. Is there a similar policy in respect of island communities? The committee recognises the generosity of the state government in upgrading those roads—they are very well upgraded too—but what seems to be a big worry on the island is how well a rate base of 4,000 citizens or about 2,400 ratepayers will be able to sustain that when it comes to maintenance time. That leads to my next question. We received evidence yesterday that a number of ferry services—not a second, even a third ferry service—have been put to government using, in some instances, different ports and that they have been in the pipeline for some four years. Is there any reason why that has not been progressed? Are you aware why the process is taking so long?

**Mr Milln**—There are some infrastructure restraints. The port at Cape Jervis, for instance, is restrained in its ability to handle competing ferry services.

**CHAIR**—But is it more contractually than physically?

**Mr SECKER**—Both.

**Mr Milln**—Both, I think. That issue again is explored in that issues paper. Contractually, yes, the existing ferry operator has rights to the port during its scheduled times.

**CHAIR**—If a ferry service were coming out of another port on the mainland, would that facilitate a quicker response from government?

**Mr Milln**—I am not aware that the government has not responded.

**CHAIR**—No, the question is: why has it taken four years?

**Mr Milln**—I think that is more related to the commercial realities of mounting a service than to government inaction.

**CHAIR**—Okay. Could you look into that and let us know what the situation is?

**Mr Milln**—What specifically is the question?



**CHAIR**—Why has it taken four years for other ferry services to be negotiated and approved? If the Port Jervis infrastructure is a problem, would the government be amenable to ferry services from other ports on the mainland?

**Mr Milln**—The government has approved a ferry service from Wirrina to Kingscote. The ferry operator is presently working on his plans to implement that. That is my understanding.

**CHAIR**—If you or your colleague who handles that could give us some background to that, I would be grateful.

**Mr Milln**—Certainly.

**Mr GIBBONS**—I understand that a former government of South Australia had an inquiry into regional aviation. What happened to the inquiry with the change of government? Are any aspects of that inquiry going to be implemented?

**Mr Milln**—I am not aware of the inquiry you are referring to.

**Mr GIBBONS**—Apparently there was a major inquiry into aviation requirements by the previous administration.

**Mr Milln**—You may be referring to the previous government's regional airports strategy which was not related to air services but was related to the maintenance of the infrastructure. That was a consultative program carried out under the previous government to determine what options there were to fill the funding gap left by the Commonwealth when it withdrew from that role. That has been partially addressed through the government's program over the past year to concentrate on remote airstrips. Whether or not it funds a wider program in the future remains to be seen. I am not aware of any plans for it to do so in the immediate future.

**CHAIR**—While you are on that point, is it the government's experience that the private ownership arrangements have not worked?

**Mr Milln**—We are talking about airports in public ownership at the moment and the transfer of airports from the Commonwealth to local government.

**CHAIR**—In local government.

**Mr Milln**—It is not so much that it has not worked, but very few of those aerodromes in South Australia have sufficient traffic to generate the revenue stream necessary not only to maintain them but to develop them for the future. In that sense, it has not worked because the infrastructure is deteriorating.

**CHAIR**—We received evidence the day before yesterday that I think alarmed most of the committee. It was that, because of pavement strength, the Commonwealth's Challenger jets cannot land on any airports in South Australia except Edinburgh and Adelaide. Would that be right?

**Mr Milln**—That is a technical question.

**CHAIR**—Could you flesh that one out for us as well and get back to the committee?

**Mr Milln**—Do you want to know which aerodromes the Challenger aircraft can land at?

**CHAIR**—I do not want you to misunderstand the question. It is not just that the Commonwealth wants to land its Challengers in South Australia, but it alarms me to think that the infrastructure is so deficient that a 10-seater jet can land only at two airports in the whole of South Australia—if the evidence we received is correct.

**Mr McARTHUR**—To add to that question, it was put to us in evidence that, at Mt Gambier for instance, with the change of ownership from the Commonwealth to the local municipality of Grant, in 10 years time that airport would not be able to take heavier aircraft. In fact, the tarmac was in a serious state and considerable capital money needed to be spent to upgrade that airport. Would you care to comment on that example and other examples of airports around South Australia that are unable to take newer aircraft and which are depreciating?

**Mr Milln**—It is a very wide question. Part of our consultative process during the formation of our regional airports strategy was to scope the amount of capital works out there. We found that at least aspirationally the amounts were very significant. On the technical part of the strength of aircraft pavements and so on, I know that the Challenger jet has very high wheel loading. While it seems strange that a relatively small aircraft cannot be accommodated, it does not necessarily mean that larger aircraft with lower wheel loadings cannot be accommodated.

We are finding that the core airports that presently have scheduled services in South Australia, of which Mt Gambier is one, are generally well equipped for the services they should aspire to receive. There have been some upgraded works. For instance, Port Lincoln had a particular runway strength problem because of subsurface water problems and so on. That runway was upgraded and strengthened and now I would be surprised if that airport could not take the Challenger jet but I will certainly check on that.

**Mr McARTHUR**—But that does not answer the question: in the state of South Australia, where you depend on some of these smaller airports, if the example of Mt Gambier is carried out in other airports, it means that in 10 years most airports that are under the control of local government will almost be inoperative. There might be a case for the Commonwealth taking back the maintenance and ownership of some of these more important regional airports. Would you care to comment on that?

**Mr Milln**—That is a role that our submission has suggested should happen—not necessarily to resume the ownership of them but certainly the funding of them. Considerable capital sums are involved.

**Mr McARTHUR**—Are you saying to the committee, though, that if there is not a source of capital funding from the state government, local government or the Commonwealth, some of these airports will not be operative in 10 years?

**Mr Milln**—That is a problem that has to be addressed.

**CHAIR**—It goes a bit further than what Mr McArthur is asking. Although CASA is not going to force out the piston-driven aircraft that are within their operating limitations, it is nevertheless a reality that in the next 10 to 15 years we will see most of those piston-driven aircraft replaced by prop jets and jets. If they encounter the same problems as the Challengers might be encountering, in terms of aviation services that would disfranchise most of the state. That is the point we are trying to come to, and that alarms us.

**Mr Milln**—I do not think that the problem is so alarming.

**CHAIR**—No?

**Mr Milln**—Very few markets in South Australia will receive jet services; they are just not big enough, with the possible exception of Kingscote, Port Lincoln and Mt Gambier. The infrastructure generally is capable of handling the aircraft that they are presently receiving and will continue to receive, which tend to be in the 19-seat turbo prop range—the Jetstream 31s, the Metros, the Beechcraft 1900s and so on. Those aircraft have many years of life ahead of them. I agree with you that for the piston aircraft nine-seat range aircraft their days are numbered, and that is a particular problem in South Australia because of the small size of some of the markets, particularly some of the failed routes like Wudinna and Cleve, for instance.

**Ms LEY**—I am interested in the government being able to reregulate air routes. That is not a problem under competition policy at all?

**Mr Milln**—No, it is not, provided you are able to demonstrate that sufficient community benefit will result to offset any competitive disbenefits. That is one reason why we have been very slow to intervene and introduce route licences, even on the applications we have received.

**Ms LEY**—I am interested in whether you have done that, how successful it has been and how it has worked if you have limited operators to certain routes.

**Mr Milln**—The way it works is that the state minister can declare a route for the purpose of licensing it. On a declared route, scheduled operators must be licensed. To date he has not declared any routes but we have had applications for Ceduna, which was by Regional Express to forestall the entry of Emu Airways on the route. The minister declined to declare the route in those circumstances because we judged that, whereas the route was clearly only suitable to viably support one operator, it was nevertheless big enough that they should be able to fight it out, and the route should be subject to the discipline of the competition that Emu was going to introduce. There were no fears that the route was so marginal that even if the withdrawal of both carriers resulted from competition a third would not enter.

As to a second route, the minister has not made a final decision on Port Augusta, but that is within relatively close road distance from Adelaide. It has other public transport alternatives, including frequent bus services, and it is within a 45-minute drive of another airport, Whyalla, with frequent services. So it would be very difficult to demonstrate sufficient benefits to intervene in that market. My expectation is that the minister will probably decline to declare that route.

The third one is Coober Pedy, which is a very remote community which will clearly only support one operator. It is marginal and the costs of operating it are sufficiently large that if the operator did fail, the government could not be completely satisfied that another operator would assume it. Those are the conditions where we feel that there is a good case to be made for declaration. Negotiations on the conditions of a licence arising from that are presently in progress with the operator.

**Ms LEY**—So that may well be the first one?

**Mr Milln**—Yes.

**Ms LEY**—You mentioned in your opening remarks that the government provides some maintenance on remote airstrips. Could you expand on where they are and on what sort of support the government provides?

**Mr Milln**—It has refurbished six airstrips over the last year: Lyndhurst, Mungeranie, Clifton Hills, Marree and Marla. Have I missed any? How many is that?

**CHAIR**—Five.

**Ms LEY**—It is all right. You don't have to think of the sixth one; I don't know where those places are.

**Mr Milln**—In relation to the upgrades, the program was partly driven by the tourism events from the Year of the Outback last year. Clifton Hills is on a pastoral lease and the upgrade was to support the Year of the Outback cattle drive. With Lyndhurst, the immediate priority was to upgrade it for a 23-second tourism event, being the eclipse. Nevertheless, those works have left a lasting benefit for those very small communities for flying doctor access and all those sorts of things.

**Ms LEY**—So those ones are licensed aerodromes?

**Mr Milln**—No, they are unlicensed. They are called ALAs.

**Mr SECKER**—I have been trying to get through this issues paper that has just been given to us. I have not read it fully so I apologise in advance of what I am about to say as I may have missed something later in the report. The issues paper says that prior to 1995 Island Seaway provided services to Kangaroo Island with a \$5 million per annum operating subsidy and the government announced in September 1994 that it would terminate the agreement. The net value of the savings to government of such a move was estimated at the time to be \$40 million. Has it turned out to be that figure?

**Mr Milln**—Again, I would have to take that question on notice.

**Mr SECKER**—A subsidy was set at \$2.40 per linear metre, which reduced to \$1.60 on 1 April 2003 and which will reach zero in 2005. Is it the intention that this fairly minor subsidy will continue to decline to zero as per the agreement?

**Mr Milln**—Yes.

**Mr SECKER**—Is there any intention of continuing that subsidy?

**Mr Milln**—No.

**Mr SECKER**—I note the issues paper says:

The current operating and replacement cost of port assets at Cape Jervis and Penneshaw is estimated to be \$570,000 per annum (ie \$150,000 annual operating and \$420,000 depreciation). The current capped wharfage fee of \$523,000 represents a small level of subsidy.

If you speak with the people on Kangaroo Island they say that, basically, the money—the \$523,000—that has been spent would have already paid off the cost of the upgrade of the port facilities. Is that your view?

**Mr Milln**—I know the issue of port charges and options for changes to them is explored fairly fully in that paper. I do not think the government's intentions have been decided. The purpose of that paper is to receive input from the stakeholders on all those difficult issues in order for the department to give appropriate advice to the government on what the options are. I cannot expand on that. I would be happy to take another question on notice, if you wish.

**Mr SECKER**—The Kangaroo Island residents, in giving evidence, have asked why they are treated differently from anyone on the mainland who gets free ferry services, free bridge services and so on. Is there an argument that can be mounted to refute that belief?

**Mr Milln**—Yes, there is. It is explored in this document. Attempts have been made to estimate the equivalent road costs of that ferry. If you were not using that ferry to drive to the island, where else could you drive to in the state at the same cost and is that reasonable? The various other benefits such as the remote taxation regime and so on that residents of the island receive also need to be taken into account.

**Mr SECKER**—I see that argument. The issues paper says:

For tourists, the fares from March for a vehicle plus driver will be \$81.

I thought it was quite a bit more than that; I thought it was something like \$160.

**Mr Milln**—I am afraid I cannot answer that.

**Mr SECKER**—I suppose that \$81 would be one way, which would explain it.

**CHAIR**—Again, through your colleague who handles those matters, could you come back to us on that?

**Mr Milln**—I certainly can. How will I be receiving the specifics of these questions? Will it be through the *Hansard*? I want to be absolutely clear about what I am responding to. Mr Secker, I am not quite clear in this case what your question is.

**Mr SECKER**—Do not worry about it. In the issues paper I have just come across the total cost of the future replacement of the existing port assets and infrastructure at Cape Jervis and Penneshaw—it works out at \$523,000 a year. If they have been paying that \$523,000 for 10 years, they have basically paid for it, according to those figures. This is not taking into account any interest payments or anything like that. If you look at the total cost, you are talking about \$5,230,000, and at \$523,000 for 10 years, without any interest or return on the money invested, they are saying that at a seven per cent discount rate—the problem about getting this sort of information on the day is to actually work out the details—they have already paid it off because they have been paying this for 10 years.

**Mr Milln**—I am sure there is a fairly obvious answer, which I am not qualified to give you, to that question, but I will certainly get you an answer.

**Mr McARTHUR**—We were told yesterday that SeaLink were going to invest \$14 million in a new vessel. We were also told that there was a move on the island to encourage another operator. Would it be fair to say, for the purpose of the *Hansard* record, that SeaLink must have a lot of confidence in the current contract with the state government to make a \$14 million investment in a new vessel, notwithstanding the arguments put forward in this paper? Would you care to comment?

**Mr Milln**—No. I cannot comment on that; I am sorry. If it is a question, I will take it on notice.

**Mr HAASE**—We have heard a great deal of evidence about local government ownership of airport facilities in regional areas and how their rate base is insufficient to cover their maintenance costs. In your submission you raise the issue of whether or not those facilities ought to be owned by the federal government. I am taken aback. I have a number of questions relating to that. Has the South Australian government considered legislation to enforce the payment of landing fees like the legislation in Tasmania?

**Mr Milln**—Yes. In fact, the Tasmanian legislation is modelled on ours. The South Australian government has passed legislation which does not enforce the payment of landing charges but which enables the airport operator to levy its charge on an immediately identifiable body, being the certificate of registration holder of the aircraft. The problem prior to that was that under the Local Government Act the councils owning the aerodromes could only levy charges on the user of the service. The user of the service was the pilot, who was not identifiable. So our legislation made the certificate of registration holder of the aircraft, who is immediately identifiable through the CASA register, liable for the charges. It did not require aerodromes to levy charges. It was purely a device to enable them to recover their charges, which had been a problem since the Commonwealth's withdrawal from ownership and therefore the lapse of the air navigation regulations that previously gave the aerodrome owners the same powers.

**Mr HAASE**—Had there been a specific incident or chain of circumstances that led to that legislation, apart from local governments owning the airstrips?

**Mr Milln**—A common problem for councils recovering their fees, and for the agents they used to do that, was that often the invoices were sent to the aircraft owner and the response was, 'You have to charge the pilot.'

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**Mr HAASE**—‘Catch us if you can.’

**Mr Milln**—Yes; catch them if you can. It just removed that nexus.

**Mr HAASE**—How would you react to a proposition that local government airport owners were able perhaps to refuse facilities to an aircraft owner or—more dramatically—impound an aircraft if landing fees in the past had not been paid?

**Mr Milln**—I do not believe they have those powers under the transfer—

**Mr HAASE**—How does the proposition strike you?

**Mr Milln**—It strikes me as draconian. They should have the same powers to recover their debt as any other business.

**Mr McARTHUR**—They do that in Western Australia.

**Mr HAASE**—Lay off! So what are, for local governments, the upsides of airport ownership?

**Mr Milln**—They need to maintain a facility to provide appropriate access to their communities and all the benefits that that bestows on the community. It is the withdrawal of those air services and the disadvantages in communities that that results in that have prompted this inquiry. The upside is that there is a wider benefit to the councils operating aerodromes than merely the collection of aerodrome fees as a means to an end.

**Mr HAASE**—It is a very difficult situation for federal government, as you have proposed, because of course if it were an optional thing then some of those very profitable airport facilities owned by local governments would no longer be a source of revenue for those local governments. Those that see it as a net loss would be very pleased to have the millstone removed from around their neck. If we were to give an option, we would have all of the negatives and none of the positives, so the cash slippage would be enormous. But what do you think the response of local governments would be if a mandatory decision were made that the federal government took back ownership and revenue collection from local airports?

**Mr Milln**—First of all, our submission does not suggest that the Commonwealth resume ownership; it suggests that it resume its funding role. I do not think any aerodrome in South Australia—

**Mr McARTHUR**—That is a difficult proposition, if I can just interject. It is a classical statement: shouldn't the Commonwealth do the paying and have no control of ownership?

**Mr Milln**—I am not sure that the Commonwealth would want to resume ownership of those aerodromes. It does not want to resume funding of them obviously.

**Mr McARTHUR**—You can develop an argument that the funding of some of these airports by the Commonwealth would be a proposition.

**Mr HAASE**—So to be specific—and this is a hypothetical question—what would be the reaction from the local authority if there were legislation ruling that the Commonwealth government take the airports back as a source of revenue to defray costs elsewhere?

**Mr Milln**—I do not think there are any aerodromes in South Australia that have a revenue stream sufficient to fund activities outside the aerodrome. I do not think they are cash cows for any council in this state. I do not have any direct evidence I can quote for that, but our knowledge of the level of services and the revenues that those airports collect suggests that most of them are underfunded for the necessary recurrent maintenance and development of their facilities. We know that the aerodromes are seeking sources of funds for those activities, so if that involved relinquishing ownership of the aerodromes, I think those that are most underfunded would probably welcome that. But it is a question you would have to ask them.

**Mr HAASE**—Fair enough. You would have, I suspect, a fair idea of landing fees charged by local government. Could you elaborate on some of your knowledge of the fees charged—some of the highs and some of the lows—per PAX?

**Mr Milln**—They do vary quite widely—and they vary between weight based charges, based on the tonnage of the maximum take-off weight of the aircraft. But most of the bodies are moving to charging basically a head tax on passengers carried. For instance, Ceduna airport charges \$12.65 per passenger sector. Kingscote has just gone to a charge of \$5.50 per passenger sector.

**Mr HAASE**—Would you like to comment—I am sorry to interject when I had asked you a question—on the charge of \$5.50 per head at Kingscote and where that sits as a comparative figure with other strips?

**Mr Milln**—It sits about in the middle. The charge at Port Lincoln, for instance, is slightly over \$7, at Coober Pedy it is almost \$10 and at Whyalla it is \$6.55. So Kingscote's charge is low.

**Mr HAASE**—Would you care to comment on the constitutional aspect of local government having a variable charge for landing fees—to coin a phrase—for passengers, in terms of visitors versus local residents?

**CHAIR**—A visitor levy.

**Mr Milln**—I am not a constitutional lawyer but I should have thought that the council as a business should be able to levy fees as it sees fit. That is a legal question.

**Mr HAASE**—Yes, it is. I just thought that you might have had some idea, being involved in the game.

**CHAIR**—I am afraid that we have to wind up.

**Mr HAASE**—Do you want me to hurry up and give someone else a go?



**CHAIR**—No, I want to wind up. Mr Milln, thank you for your evidence. I am sorry to hurry this a little but my colleagues and I have very tight travel arrangements today and we have to stick to the schedule in a bit more focused fashion than we normally do. I thank you and the South Australian government for your evidence today. I trust that you will get back to us on those matters. You will receive a copy of the *Hansard* draft. If the drift of the questions has not been clear, it should be clear from the *Hansard*.

**Mr Milln**—I regret that it was necessary for me to take so many questions on notice. I had expected that the primary focus of the committee would be on the aviation issues rather than the ferry issues. In retrospect, it might have been—

**CHAIR**—Sadly, they are interrelated.

**Mr Milln**—If we had it to do over again, probably we would have brought a ferry expert along with us.

**CHAIR**—Thank you very much.

[9.51 a.m.]

**PEEK, Mr Trevor, Economic Development Officer, District Council of Coober Pedy**

**CHAIR**—Welcome.

**Mr Peek**—I am here representing the community of Coober Pedy as well as the district council.

**CHAIR**—Although the committee do not require you to give evidence on oath, we remind you that these are proceedings of the federal parliament and they warrant the same respect that would attend to the House. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and it could be considered a contempt of the parliament. Having said that, you are most welcome. I wonder whether you could give us a five-minute introductory overview of your council's submission so that we can maximise the time for questions.

**Mr Peek**—The overview is fairly brief. The supporting documentation probably moved a little away from the brief. Basically, Coober Pedy is one of the more isolated areas in South Australia. It is 850 kilometres north of Adelaide by road and about 700 kilometres from Adelaide by air. The airport, as you would be well aware, was handed to the local government in the mid-eighties. As a consequence, full responsibility rests with Coober Pedy District Council for the maintenance and upkeep of that airstrip.

It was interesting to come in on the tail end of the previous witness's evidence and to hear questions regarding the local government's ability to maintain the airstrip and the income that is gleaned from that operation. Basically, it is serviced by one airline; the competition is just not there. Overall cost is a determining factor in usage of the service; it is a rather catch-22 situation. The standard Adelaide-Coober Pedy return airfare is just under \$800.

**CHAIR**—Are there deals?

**Mr Peek**—Yes. There is booking in advance. It can come down as low as just under \$500 if you book well in advance. That is not always possible. Even the bus service costs just under \$200 for an Adelaide to Coober Pedy return trip. The alternative is to drive. The majority of people who travel to Adelaide from Coober Pedy drive. Because of the scheduling of the aircraft, basically a one-day meeting in Adelaide requires three days in total—a day for travel, a day for the meeting and a day for travel. It is the same whether you drive or fly. Quite often the bus service is not a viable option. It is a 12-hour overnight bus trip which is a little less than desirable at the best of times.

The other aspect of Coober Pedy is the number of tourists who come through. We would look at close to 150,000 tourists a year into Coober Pedy. We see a lot of international tourists. However, the airfare is a deterrent. The fact that it is a stand-alone service means that it is very difficult to make forward bookings from overseas. There are no interconnections between Coober Pedy and international flights into Adelaide. It is a matter of collecting baggage,

reloading it and reticketing. Most international tourists are not overly interested in that. A number of opportunities can be considered by the town and by the provider of the airline service.

**CHAIR**—So you are receiving two services a week from Rex?

**Mr Peek**—No. It started off at seven days a week; it is now down to five days a week. They have dropped two services.

**CHAIR**—What time does the flight go out?

**Mr Peek**—It leaves Adelaide at about 10 o'clock and gets in at 12. It leaves at about 12.20 from Coober Pedy and gets back into Adelaide at about two o'clock in the afternoon.

**CHAIR**—Because it is in the middle of the day, you cannot get a day's work done.

**Mr Peek**—No.

**CHAIR**—You have explained the airfare problem to us and you talked about tourists. How many tourists do you receive a year?

**Mr Peek**—About 150,000.

**CHAIR**—What do most of them go to Coober Pedy for?

**Mr Peek**—A lot of the traffic is heading north into the Northern Territory, and Coober Pedy is an ideal stopover point.

**CHAIR**—What proportion travel by car and what proportion travel by bus and aircraft?

**Mr Peek**—You would probably be looking at at least 90 per cent travelling by vehicle.

**CHAIR**—Of one sort or another?

**Mr Peek**—Yes.

**CHAIR**—So only about 10 per cent travel—

**Mr Peek**—By bus or aircraft.

**CHAIR**—So you are looking at a maximum market of about 15,000 people.

**Mr Peek**—Yes.

**CHAIR**—Is it your experience that the maintenance of airports is getting beyond councils?

**Mr Peek**—The short answer is yes. The district council of Coober Pedy has been in operation only since the mid-eighties, when it was incorporated. The airport was handed over to the district council in 1991 and since then it has been entirely up to the district council of Coober Pedy to maintain that facility. The rate base for the district council is very low; it would be under \$700,000 a year. It is almost incidental in terms of maintaining an airport.

**CHAIR**—I understand.

**Mr Peek**—From the figures I picked up before I came down, in the last financial year maintenance on the airport was just under \$30,000. Landing fees gleaned from the operation were \$31,000. If you like, there was a surplus of \$2,000. You can put that into a special purpose bank account or a trust fund for further maintenance on the airstrip and build up a fund, but at that rate it will not build up very quickly.

**CHAIR**—Is it an asphalt strip?

**Mr Peek**—Yes it is.

**Mr GIBBONS**—I notice you have some costings on the essential expansion work for your aerodrome. You have a 2.1 kilometre runway. Is that the one being used now?

**Mr Peek**—Yes, that is the one being used.

**Mr GIBBONS**—What is the history behind it? That is a big capability for a small place. Was it an RAAF base or something at one stage?

**Mr Peek**—No, it was purpose built. It is probably sitting on some extremely valuable land, because the airstrip is in the middle of a precious stones field. There is the Olympic field to one side, which has been a very productive field in the past. Just talking to some of the miners there, they reckon the amount of opal under the airstrip is pretty substantial—and I am sure they would love to get their hands on it.

**Mr GIBBONS**—It might be a good way to fund your redevelopment.

**Mr Peek**—But it is a purpose built airstrip. Because of its location—it is the only airstrip between Alice Springs and Port Augusta—it can serve a multitude of purposes.

**Mr GIBBONS**—In your submission summary, you suggest that a direct air service between Uluru and Coober Pedy would provide additional access for tourists. Do you have any figures on that?

**Mr Peek**—There is a copy of the scoping study on that particular proposal that was provided in the submission. At the time it was done, some interest was shown by one or two operators, but that was prior to September 2001 and prior to Ansett's demise. So it has been pretty much on the backburner. Regional Express—Rex Aviation—have been provided with a copy of that scoping study. To date no interest has been shown in it at all. One thing the council has done in the past is to try to provide the information, the wherewithal, to be proactive in providing for its community. If we can do that through an air service between Alice Springs, Uluru, Coober Pedy

and Adelaide, it would provide another source of transport, possibly another operator and possibly some competition, and in the end, hopefully, the community would benefit from it.

**Mr GIBBONS**—How many accommodation beds would be in Coober Pedy—and what other infrastructure is there? If you are going to expand your air services and have more flights in from different places, is the rest of the infrastructure geared to take it?

**Mr Peek**—Yes. There are two substantial hotels in Coober Pedy: the Desert Cave, which would rate as at least a four-star hotel, and its sister, the Opal Inn. Each provides 80 to 90 rooms. There are also seven motels, so the accommodation facilities are reasonable. The predominant type of international traveller at the moment tends to be a backpacker, and they are more than adequately serviced, so there is no problem there. I am sure that if there were any increase in the international tourist trade, the community would rise to the occasion.

**CHAIR**—How many of those motels would rate over three and a half stars?

**Mr Peek**—The majority would. The chains that they belong to or are associated with would be in the three to three and a half star category.

**Mr GIBBONS**—Is there a flying school at Coober Pedy? What other businesses inhabit the airport facility? Are there charter flights?

**Mr Peek**—Depending on the time of the year, Wright Aviation will use Coober Pedy as a base. There is another charter airline based in Coober Pedy for eight or nine months of the year, and of course the Royal Flying Doctor Service make considerable use of the airstrip.

**Mr HAASE**—I would like you to tell us what you know about government subsidy for travel to Coober Pedy. I take it that there would be a number of children in Coober Pedy.

**Mr Peek**—Yes, there would be.

**Mr HAASE**—A number of them, I imagine, attend boarding schools out of Coober Pedy.

**Mr Peek**—They would be in the minority.

**Mr HAASE**—Where are secondary school students from the area educated?

**Mr Peek**—There is an area school in Coober Pedy.

**CHAIR**—Is it to grade 10 or grade 12?

**Mr Peek**—It is to grade 12. It would be unusual for children from Coober Pedy to attend boarding school in Adelaide.

**Mr HAASE**—If you have the necessity for medical evacuation to elsewhere from Coober Pedy, who handles it?

**Mr Peek**—The Royal Flying Doctor Service handles that.

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**Mr HAASE**—Is that at the cost of the patient or at the cost of the hospital?

**Mr Peek**—It would be at the cost of the patient, as far as I am aware. Obviously, through private health insurance you can get coverage for that but my understanding is that it is at the cost of the patient.

**Mr HAASE**—You have told us that the bus service costs \$200. Is that a return fare?

**Mr Peek**—That is a return fare, yes.

**Mr HAASE**—Is that subsidised in any way by the state government?

**Mr Peek**—Not that I am aware.

**CHAIR**—What company does that?

**Mr Peek**—Greyhound Pioneer.

**Mr HAASE**—I am just wondering whether there is a government subsidy for the return home to Coober Pedy of students at the end of term.

**Mr Peek**—I am not aware whether there is a subsidy. As I indicated earlier, the majority of travel between Coober Pedy and Adelaide is done by car, by private individuals. Again, there is the cost factor along with serviceability. You can leave any time you like; you are not restricted by a timetable.

**Mr McARTHUR**—How many hours does the trip from Coober Pedy to Adelaide take?

**Mr Peek**—It depends; a good 9½ hours.

**Mr GIBBONS**—Is the 2.1 kilometre runway sealed?

**Mr Peek**—Yes, it is a sealed runway.

**Mr GIBBONS**—What surface does it have?

**Mr Peek**—It is a bitumen surface.

**CHAIR**—You talk about a \$4 million to \$5 million upgrade. Is that for a terminal, for pavement strengthening or what?

**Mr Peek**—That is for a terminal, a runway and the extension of the smaller runway which is situated on an angle to the main runway.

**Mr GIBBONS**—What is the biggest aircraft that you are able to take?

**Mr Peek**—The normal aircraft that flies in is usually a Metro.

**Mr GIBBONS**—Or a Saab?

**Mr Peek**—Yes.

**Mr GIBBONS**—A runway that length could—

**Mr Peek**—It could certainly handle considerably more.

**CHAIR**—A BAe146?

**Mr Peek**—Yes. I suppose that is the opportunity—

**CHAIR**—To link in with Uluru?

**Mr Peek**—Yes.

**CHAIR**—Have you talked to Qantas about that?

**Mr Peek**—No, we have not approached Qantas. It is one of those opportunities where you tend to provide the information into the public arena. At least you give them the opportunity to read it and to react to it. To this date, the reaction that we have had is less than interesting.

**CHAIR**—I counsel you to pursue it. You have come to this committee. It might sound like an ambit claim that \$4 million to \$5 million would do the job but you have not tested the market, so to speak.

**Mr Peek**—As to the upgrade of the airport or the facilities there, it is not really an ambit claim. The council put together a feasibility study just for their own peace of mind as to what it would really cost and what could be done.

**CHAIR**—Are there firm costs on it?

**Mr Peek**—When it was done, yes.

**CHAIR**—It sounds a lot. I am not being pejorative in saying that. You can build a very nice terminal for a million dollars and you can do a lot of upgrading or strengthening of a runway for a million dollars too, but \$4 million or \$5 million is at the top end of what a regional airport would probably spend.

**Mr Peek**—Most certainly. Quite often it is like doing a budget: you look for your minimum income with your maximum expenditure. This would probably be along the same lines. That would certainly be the maximum that you would be looking at. Obviously, some of the engineering side of it, such as the strengthening of the runway, you cannot change; you are stuck with it. Certainly, a terminal building does not have to be a Taj Mahal; it can be a very serviceable unit at much less cost.

**CHAIR**—It has to be. If you are going from a BAe146, you have to be able to look after 90 people, haven't you?

**Mr Peek**—Yes.

**Ms LEY**—Pick me up if this point was covered when I went out of the room, but I am just curious as to how the regional economy of Coober Pedy is going at the moment. How are you faring in the wake of overseas events and what are the feelings of people about tourism generally to the area?

**Mr Peek**—If the international trade drops off, it is usually picked up by the local trade—when I say local trade, I mean Australian trade. Of the people that are coming through, the international side has dropped off but certainly the great caravan, as it is known, comes through Coober Pedy at a fairly constant rate.

**Ms LEY**—Have you noticed that it is picking up at all?

**Mr Peek**—As I said, the international trade has dropped off but the other one has picked up, so it is about level. We are not anticipating a huge increase and again we are not anticipating any drop off. So if the status quo remains, we will be more than happy.

**CHAIR**—Mr Peek, it is a very good submission. You have not left us a lot of questions to ask you. I have one final one: what is your landing charge? I forgot what Mr Milln said.

**Mr Peek**—If we are looking at per adult passenger, it is \$9 per adult passenger, and it is \$4.50 per child.

**CHAIR**—Would you kindly thank the district council for sending you here and for the very thorough submission. You did not leave us a lot to ask you. I would counsel you to pursue the idea raised—with Qantas I think it would be well worth your while. The tourist industry is always looking for new product and it would be a great opportunity for Coober Pedy if it linked in with Uluru. Tourism would just go through the roof. The beauty of that is that it could help cross-subsidise your regular passenger services to Adelaide and elsewhere. You might find you will be able to do business in Brisbane as well or something like that.

**Mr Peek**—Thank you very much for the opportunity.

**Proceedings suspended from 10.13 a.m. to 10.32 a.m.**



**MILLN, Mr Michael David, Senior Adviser, Aviation, South Australian Department of Transport and Urban Planning, Transport Planning Agency**

**CHAIR**—Welcome back to the table. We have a further question.

**Mr SECKER**—I refer to page 9 of your issues paper. I want to ask you about the view of Kangaroo Islanders who suggest that it costs nothing to cross the Murray River on the ferry or to cross bridges anywhere in the state, yet it costs money to go to Kangaroo Island. On page 9 you have used the argument about travelling times, travelling costs and so on. What concerns me about this is that you are taking the one-hour trip over on the ferry as a credit when in fact it is a penalty to the travellers. As with other 10-minute ferry trips, there is no extra cost but there is a penalty of time. But you are using that as a credit. For example, if you transpose that to a flight—a flight from Kingscote to Adelaide takes only 30 minutes—it would mean that the flight would be worth about \$40. As you know, it is worth a hell of a lot more than that. So I wonder how you can use these figures to knock the argument that it costs nothing to go across on a ferry or to cross a bridge but it does cost money to go on the ferry from Cape Jervis to Penneshaw.

**Mr Milln**—I knew I should have left! Again, these arguments are in the discussion paper for public comment. The department has put forward some arguments and it is seeking the views of the wider community. I am sure there are arguments that can be put both ways. In terms of the methodology used and the justification for it, again, I would have to take that on notice and get back to you.

**Mr SECKER**—I suppose that is all I can ask, if you cannot give an answer.

**Mr Milln**—I will certainly do that.

**CHAIR**—Thank you, Mr Milln.

[10.34 a.m.]

**BLYTHE, Mr Michael, Manager Infrastructure, Corporation of the City of Whyalla**

**SMITH, Mr John Donald, Mayor, Corporation of the City of Whyalla**

**ACTING CHAIR (Mr Gibbons)**—Welcome. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Having said that, we are delighted to receive your submission. Would you care to elaborate on the capacity in which you appear before the committee, and then we will proceed.

**Mr Smith**—I am the Mayor of Whyalla. I am also Chairman of the Eyre Peninsula Local Government Association, which represents 12 rural and city councils on Eyre Peninsula.

**Mr Blythe**—I am the acting CEO of Whyalla City Council and I am representing Whyalla airport.

**ACTING CHAIR**—Thank you. Who would like to start off?

**Mr Smith**—If you want to hear about Whyalla airport first, Mike can talk about that. I am here to give you some information about the smaller regional airports on Eyre Peninsula.

**ACTING CHAIR**—Perhaps we can have a five-minute overview of your submission and a comment from you, Mr Smith, on your area, then we will get into questions.

**Mr Blythe**—First of all I would like to table some documents that we have prepared for you, with some information about the Whyalla airport. There is information about the strength of the runway and its capacity to handle aircraft, as well as income and expenditure and passenger numbers.

The main concern we have with Whyalla airport is that when we took it over from the federal government back in 1991 it was not made clear what the burden would be on the community of Whyalla. Some figures were prepared by the government that showed that a minimum of about \$700,000 needed to be spent on minor maintenance. They actually gave us \$660,000 with a commitment to carry out certain works, which have been done over the years. But I think the council were put under an enormous amount of pressure to take ownership of the airport or lose the facility. As a result, they opted to take ownership of the airport but they did not consider the long-term consequences and the lack of viability in the longer term.

Whyalla is in probably a similar situation to most regional centres in that we are losing population and we have lost industry. Business through the airport has slowed down. But I guess we have been impacted more than most by other factors, including one of the worst air disasters in South Australia, which happened off our shores and involved a local operator. That

had an enormous impact on our passenger numbers. That was followed within 12 months by the September 11 events in the US, which affected all aviation industry. That was followed within a day or two by the Ansett collapse. As an Ansett subsidiary flew in and out of Whyalla, it obviously had an impact on us. Our passenger numbers have not recovered from those events, so our income has reduced markedly.

We still have problems with our airport runway pavement strength. We are very limited in the type of aircraft we can bring in, so that limits our opportunity to develop the airport and to assist some of the industries around the place, like aquaculture. We have had approaches in the past from companies that are keen to look at freighting, particularly aquaculture produce, in and out through Whyalla. We are not able to accommodate that because we just do not have the funds to upgrade our runway. The information is in the booklet we have prepared. In terms of pavement strength, when the Commonwealth government were running the airport they had a runway PCN rating of 13, which is not heavy enough to carry freighters but is still a reasonable strength. We had the runway evaluated immediately after we took possession of it and we had to downgrade it to PCN 8. So we are restricted to very light aircraft.

The airport really should be a self-sustaining business. It should be an important part of the economic development of the city, but unfortunately we are not able to use it as that and it is becoming more and more of a liability. We are in the situation now where we have no surplus revenue from our operating costs and we are starting to dip into reserves that we had accumulated for capital works. In the longer term we are going to struggle to keep that airport open.

**CHAIR**—We have received an excellent document on the Whyalla airport in support of the council's submission. I ask one of my colleagues to move that it be accepted as an exhibit.

**Mr HAASE**—I so move.

**CHAIR**—There being no objection, it is so ordered. It is a very interesting document—I wish we had had that from every council. It is a simple chart of passenger numbers and it shows where strengthening has to take place on the runway. It is excellent. Thank you. So you have O'Connor and Rex—is that it?

**Mr Blythe**—Yes, that is correct.

**CHAIR**—I will come back to you in a minute, Mr Smith.

**Mr Blythe**—We have a number of small freighter operations too, but they are light aircraft—normally Cessnas.

**CHAIR**—In a good year you can get up to 55,000 passenger movements, but it has been pretty marginal in the last two years?

**Mr Blythe**—Yes. Particularly in the last 12 months it took a fairly substantial dive.

**CHAIR**—What do O'Connor use—Dash 8s?

**Mr Blythe**—No. O'Connor are using 19-seater Jetstreams and Rex are using 19-seater Metroliners. We do not have Saabs servicing Whyalla.

**CHAIR**—What is the rack-rate airfare to Adelaide?

**Mr Blythe**—The return 14-day advance fare is \$199.

**CHAIR**—And if you want to buy off the rack?

**Mr Blythe**—\$351.

**Mr Smith**—It is \$325.

**CHAIR**—\$325. That is about \$160 each way?

**Mr Blythe**—Yes.

**CHAIR**—What are your alternative methods of transport?

**Mr Blythe**—Bus or passenger car—that's it.

**CHAIR**—Is there no rail?

**Mr Blythe**—No. The rail service was discontinued a number of years ago and the council has banded together with the other Spencer Gulf councils to try and re-establish the rail facility but it is not viable. There are just not enough passengers and the cost is too high.

**CHAIR**—What bus company services the peninsula?

**Mr Blythe**—Stateliner.

**CHAIR**—What is the fare to Adelaide, roughly?

**Mr Blythe**—It is roughly \$60.

**Mr Smith**—That is one way.

**CHAIR**—Before we go any further, I had better get Mr Smith's evidence and then we will go on with other questions. Mr Smith, I would like to thank you for appearing twice. You gave us very good informal evidence at Alice Springs and it is nice to see you again.

**Mr Smith**—Thank you.

**CHAIR**—Could you give us an overview and then we will get into some questions.

**Mr Smith**—I would like to address the situation at Wudinna, which is a small town in the centre of the Eyre Peninsula, and also at the township of Cleve. Both these centres were

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formerly serviced by Whyalla Airlines until their unfortunate demise after the air crash. Wudinna and Cleve had an air service for over 20 years until Whyalla Airlines met its fate. A new operator, Airlines of South Australia, commenced on 7 August 2000. Unfortunately, they were based on servicing the area from Adelaide and not from Port Augusta or Whyalla. As a consequence, they did not provide flight schedules that were suited to the locality they were servicing and patronage was thus less than previously experienced by a very successful Whyalla Airlines operation. Airlines of South Australia attempted some limited juggling of flight schedules, including a reduction in the number of flights per week, but ceased services on Friday, 24 March 2002. At this time Ansett and Kendell were in crisis and Airlines of South Australia were also looking at opportunities they perceived in securing the services that Ansett and Kendell were running. With the assistance of Mr Mike Milln, senior adviser at the aviation transport policy group, whom you have just heard from, the councils of Le Hunte—which is Wudinna—and Cleve prepared an information brief and canvassed all potential aviation groups to provide a service.

There was no interest apart from some charters that were prepared and needed to seek RPT accreditation. Their advice, however, was that the process via CASA was lengthy and expensive. They then met with the state Minister for Transport, Michael Wright. The South Australian government were not prepared to provide financial assistance. They would only assist with approvals and route licensing. They sought to promote the Air Transport (Route Licensing—Passenger Services) Act 2002 as the government's contribution towards that. This, however, was not a solution to the District Council of Le Hunte's problem.

Discussions commenced with Emu Airways in October 2002 and a new service commenced on 23 January 2003. This provided a direct service to Wudinna via a nine-seat Chieftain class piston aircraft. It was predicated on these aircraft ultimately being phased out in the short term. The service was to be incorporated into their Ceduna service, which utilised a 19 passenger seat turbine Beechcraft 1900C. The initial strategy did not include Cleve because Cleve advised that the specifications of their airstrip did not accommodate the bigger aircraft and they were reluctant to provide Cleve with a service which would ultimately be discontinued. Regional Express, which had taken over Kendell services, improved schedules, reduced fare structures and fiercely defended the Ceduna market. The Emu service to Ceduna terminated on 10 March 2003. The Wudinna service provided by Emu terminated with 24 hours notice on Monday, 24 March 2003.

There are some issues that the Le Hunte council have raised. With regard to social justice, the withdrawal of services is a considerable loss, as it was the only operator providing a service to central Eyre Peninsula. The catchment for this service includes Kimba, Cleve, Lock, Elliston, Le Hunte and Streaky Bay. The difficulty for rural residents in accessing services, education, medical facilities and training is a matter of social justice. Access to air transport is an extremely important option for people living in remote locations such as Eyre Peninsula. The loss of this service has considerable financial, health, safety and convenience implications for these communities.

The closest alternative air transport opportunity for Wudinna is a five-hour round trip to Port Lincoln or Whyalla. The road transport alternative to Adelaide is a 12-hour round trip by car or a 15-hour round trip by bus. Neither of these latter opportunities is as safe or as economical for the individual. The cost in time, the expense of overnight accommodation and the associated hazards of driving these long distances make air travel a safer and more convenient travel

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solution. The lack of a regular commercial passenger transport service at an affordable level also has social implications, particularly for those people who may be suffering illness or injury.

It is important that assistance be provided to small scale owner-operator services, which are in many cases operating at marginal levels but provide a valuable service to small communities. While it is important they comply with appropriate regulatory processes, these should be commensurate with their operational environment and exposure, not caught by a one size fits all approach. The costs associated with operators meeting regulatory compliance and airport charges should be scaled to assist marginal country operators.

With regard to the role of all three levels of government in supporting and assisting rural and regional air services, there is only one level of government that is pulling their weight in South Australia, and that is local government. The Remote Air Service Subsidy Scheme is presently provided by the federal government but restricted to assisting communities remote—more remote than the Eyre Peninsula—from goods and services. Unfortunately, this scheme is limited to outback settlements, and communities on Eyre Peninsula are not eligible. It does, however, provide a potential vehicle to do so, if the scheme were modified.

A problem that will emerge for all rural communities, if it has not emerged already, is the cost of retaining airport infrastructure for terminals and airstrips. Revenue collections from these facilities are nominal. These important assets will require replacement and refurbishment in the future, and communities will question whether the cost of these facilities can be sustained. They are already heavily subsidised by local government yet remain critical points for emergency medivac and national highway route traffic users, as well as the local communities. That is the information I have from the District Council of Le Hunte. The submission I have from the Cleve District Council is not quite so lengthy.

**CHAIR**—Could you give us the flavour of it?

**Mr Smith**—The Cleve submission is virtually the same.

**CHAIR**—Is the Cleve submission part of the earlier Whyalla submission?

**Mr Smith**—Yes. I mentioned Cleve at Alice Springs.

**CHAIR**—Is it as detailed as what you have just given us?

**Mr Smith**—Virtually, it is.

**CHAIR**—The question I am asking is: do we need to accept these additional documents as supplementary submissions?

**Mr Smith**—I think that would be wise.

**CHAIR**—Would one of my colleagues move that they be accepted?

**Mr GIBBONS**—I so move.

**CHAIR**—There being no objection, it is so ordered. Could you give us the flavour of it now?

**Mr Smith**—Cleve are saying that it will cost \$500,000 to upgrade their airport to accommodate turboprop aircraft.

**CHAIR**—Are they sure they will get a service if they do that?

**Mr Smith**—I do not know; I cannot answer that. The other point is the difference between charter services and RPT services. I have spoken to former Whyalla Airlines operators and they gave the information that, if a charter turboprop aircraft were to fly into Cleve, they would be able to use the existing airport; whereas an RPT operated service would not because different standards are applied to the different services.

**CHAIR**—I cannot tell you the circumstances of this because the committee is yet to decide whether the documents will be made confidential or not; I can tell you that the committee has spoken to CASA about the possibility of a remote area licence that would allow that sort of circumstance to occur. I cannot tell you that that is going to happen but—rather than going into it all again—the committee is aware of that distinction. It is not unique to the Eyre Peninsula, I can assure you.

**Mr Smith**—It would be of great assistance if that happened.

**CHAIR**—It is accepted that the Commonwealth had a traditional role and it may still be argued that it should have a role in the maintenance of airports. In terms of air services, intrastate services have always been the responsibility of the state government. For example, the Queensland government gives, I think, a \$3 million subsidy for its western Queensland routes. Has there ever been an approach to the South Australian government to subsidise the Eyre Peninsula services?

**Mr Smith**—Yes, there has, quite recently.

**Mr SECKER**—But it was rejected, wasn't it?

**Mr Smith**—Yes. Minister Michael Wright responded quite recently on the ABC saying, 'When we came to office, we made it quite clear that government is not in the business of subsidising airlines.'

**CHAIR**—Despite the government saying that, it does not exempt any government from the traditional roles. Governments are very jealous of their areas of control, but those areas of control are also areas of responsibility. So the committee does not necessarily accept a bland statement like that as the be all and end all of the issue.

**Mr Smith**—We do not accept it either.

**CHAIR**—The point is that the committee does not accept the view that, if the state government rejects a particular thing, it suddenly becomes the responsibility of the federal government. We want to get a package of measures that make life easier for regional and rural airports. How would you suggest that those Eyre Peninsula services could be subsidised?

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**Mr Smith**—I would like to comment, from what you have just said, that it is rather frustrating for people like me and other community leaders when we hear the state government say, ‘No, it’s not our responsibility’ and the federal government say, ‘No, it’s not our responsibility; the state government should be doing it.’ We just seem to be like a dog chasing its tail because no-one is prepared to put their hand up—apart from local government—and spend some money on their infrastructure. As you just heard from Mike Blythe, our airport is not operating at a profit and we are starting to go down in our revenue. It is costing us money, but I do not know what the answer is.

**CHAIR**—You are talking about the nature of the infrastructure at your airport as distinct from the services?

**Mr Smith**—Yes.

**CHAIR**—Then you do have a case with the Commonwealth.

**Mr Smith**—Yes.

**CHAIR**—How would you suggest the Commonwealth should do that? As we have gone around, we have got the impression that when we talk about upgrading an airport—and this is no criticism of the Coober Pedy council presentation—there is automatically an ambit claim of \$3 million, \$4 million or \$5 million. You can build quite a nice terminal for \$1 million and strengthen a pavement for \$1 million, yet the sorts of figures that are bandied around to us as we go around Australia are \$4 million or \$5 million.

You could probably come up with much more realistic costings on the basis of that document, because you have identified where the weaknesses are in your runways and things like that. That is excellent stuff, but how would you suggest the Commonwealth should do it? Should it do it by the removal of fees? Should it do it by direct subsidy? Should there be some facility to which you apply on a basis of merit or need? Should that be a competitive thing in much the same way as the Roads of National Importance program and Black Spots Roads Program are—that is, you apply on the basis of need, and the quality of submission and all those things count? You are an experienced man in local government. Give us the flavour of how you think it should happen.

**Mr Smith**—You have to tie it in to the usage, the population, your location within the state, your remoteness and the dependency on certain sections of your population for accessing specialist services, education services and other essential services which are not provided for in our local communities.

**CHAIR**—So you are suggesting a formula, not unlike the FAGs, of population, distance and remoteness.

**Mr Smith**—Yes. That would be a start. I mentioned at Alice Springs the usage of our airport—and it is contained in the submission—by the Defence Force and the damage that has been caused to our facilities by the Defence Force, without paying their full dues. They only pay about six-tenths, or maybe a bit more now, of the normal landing fee.



**Mr McARTHUR**—Have you asked them to pay the full landing fee?

**Mr Smith**—We have asked them for a grant for half the cost to repair our runway. Mike has more details on that, and it is in the submission.

**Mr McARTHUR**—I have come across this matter with defence in other areas. Are you saying that defence aircraft damaged your strip or are you just asking for some further revenue to keep your strip upgraded so that they can use it? Are you putting both propositions to us?

**Mr Blythe**—Yes, we are putting both propositions. There is no physical damage to the runway that you can go and take photographs of or look at, but the pavement testing that we have done shows that the pavement has deteriorated. There are also engineering calculations to show the effect that each landing of a heavy aircraft has on the runway. It shortens the life span. If the design category for your runway caters for aircraft of up to 10 tonnes and you start putting 80-tonne aircraft on it, you obviously accelerate the deterioration rate over the life of the runway.

**Mr McARTHUR**—What has been the response by the Department of Defence to that proposition?

**Mr Blythe**—The defence department really were not interested in putting in money.

**Mr McARTHUR**—They are quite happy to use your strip, though.

**Mr Blythe**—And to pay their landing fees. But because of the low landing fees they pay and the small number of movements they do not generate enough income to compensate for the damage that is caused.

**Mr McARTHUR**—So you are saying they pay six-tenths of the average landing fee.

**Mr Blythe**—It is about 80 per cent now. We made an arrangement through the Australian Airports Association.

**Mr McARTHUR**—What is the rationale for them paying lower landing fees than every other operator?

**Mr Blythe**—Originally they paid zero to us; they landed for nothing. It is only via the Australian Airports Association that we have negotiated a fee with them. I do not know what their rationale is for paying less than everybody else.

**Mr McARTHUR**—Have you put to the defence department a formal submission that you should get a full landing fee and maybe even a loading for heavier aircraft?

**Mr Blythe**—We have actually left that negotiation to the Airports Association because they represent all of the airports around Australia.

**Mr McARTHUR**—But you have made representations along those lines—

**Mr Blythe**—Yes, we have.

**Mr McARTHUR**—for the record?

**Mr Blythe**—Yes.

**Mr McARTHUR**—And you have had no real response from the Department of Defence?

**Mr Blythe**—As I said, the Department of Defence now pay landing fees to all airports where they land. That is collected through the Airports Association.

**Mr McARTHUR**—You have had some response. You would like to get 100 per cent of your landing fees or even a loading as well—that would be your ultimate?

**Mr Blythe**—What we are suggesting is that the landing fee, as far as defence go, is not that relevant because of the small number of movements per year. It is more about the size of the aircraft that they want to operate. If we tripled their landing fee, it still would not compensate us for the amount of damage that those aircraft do. C130s have a fixed undercarriage and, particularly when they turn off the runway onto the taxiway, put an enormous amount of pressure on the runways. You only need to talk to Woomera—there is a military facility up there—and see the damage that has been done to their runways and taxiways by the C130s. No landing fee would compensate us for that, unless we had a very high-strength pavement in the first place which would cater for it.

**Mr McARTHUR**—We have received similar evidence on other aircraft that are trying to land at some of these other council run strips, where a similar difficulty has arisen—they cannot take the extra load. But military and other VIP aircraft still wish to land. Some of us are sympathetic to the argument that those who demand to use them—firefighters and the military are two examples—always want to use them but are not inclined to pay.

**Mr Blythe**—The argument from the military at the moment is that they do pay—they pay a landing charge, which all other aircraft operators pay. They do not see that they should contribute towards the strengthening of the pavement, even though it is only their aircraft that need a stronger pavement. What we have proposed is not a handout from Defence; it is more of a partnership. They have an excellent training facility very close to Whyalla and, in the wet season in Tyndall, they cannot use that; they have to stop training. So we are suggesting—and I think the state government could support it—that there is potential to develop the expansion of Cultana and to then use that as one of their main training grounds.

The environmental reports that have been done on Cultana are very good. They show that the area recovers very quickly, even after live firing up there. It is one of the few ranges left in Australia where they can live fire, and it is very close to other service facilities in the cities of Whyalla and Port Augusta. They use mainly the south end of their training ground when they are out there, which is closer to Whyalla, so we have suggested that we compromise—that we go into a partnership with them where we meet half the cost of an upgrade to the runway and they meet the other half, and then they are free to use the facility.

**Mr McARTHUR**—What stage have you reached in those negotiations?

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**Mr Blythe**—We have not actually been back to them for a couple of years now. We reached a stalemate. They did not want to give ground and we were not getting anywhere, so we decided to let them cool their heels a bit—we would just back off and then reopen negotiations. To this stage we have not reopened negotiations.

**Mr McARTHUR**—Are you proposing to reopen negotiations with them?

**Mr Blythe**—Yes.

**Mr McARTHUR**—Thank you. I think that has been very helpful.

**Mr GIBBONS**—How long is the runway?

**Mr Blythe**—It is 1,686 metres. It is in the information kit.

**Mr GIBBONS**—Yes, I just wanted to get it into the *Hansard* record. When was major work last done on the runway?

**Mr Blythe**—A reseal was done in the current financial year.

**CHAIR**—What about pavement strengthening?

**Mr Blythe**—We have not strengthened the pavement at all since we took over the airport in 1991. We have resealed it twice, which sealed up some of the cracks to keep the water out from underneath it and to protect the base, but it has not strengthened it; it has just given it a new running surface and sealed it.

**Mr GIBBONS**—Do you have a crosswind runway as well?

**Mr Blythe**—Yes, we do.

**Mr GIBBONS**—Is that sealed?

**Mr Blythe**—No, that is an unsealed runway. It is only approximately 1,480 metres, I think, and is mainly for light aircraft. The Metroliners and Saabs can land on it but prefer not to because it is unsealed and there is the potential for prop damage from loose gravel.

**Mr SECKER**—Does the council have trouble maintaining the airport to CASA standards?

**Mr Blythe**—No, we do not. I would be able to get supporting documentation from CASA that our airport is very well run. We are like most airports—occasionally, we get a non-compliance notice, but it is usually of a very minor nature. We do meet all of the licensing requirements and the airport is regarded as a very well run facility.

**Mr SECKER**—On a different matter, you are in a bit of a quandary, aren't you? You have a declining population in Whyalla and your flight numbers are declining. In the last financial year they were down to 35,000 and on present trends you will be lucky to make 30,000 this year. It is a real problem. We would have to look at it and say, 'Is it worth actually spending a lot more

money on that airport when things do not seem to be improving?' In fact, you have probably got better planes coming in now with the Jetstreams than you did in 2000 before that tragic crash. You have actually got a better service in that regard. It may not be as often but they are bigger planes than the old nine-seaters.

**Mr Blythe**—I agree partially with what you are saying, but not totally. I think you are right in that there is a population decline in Whyalla. I think we have been through the worst of that and, if you look at the ABS figures, the trend for decline has slowed and the population figures have started to level out. Basically, I would say that the population decline has slowed right up over the last five or six years yet we maintained good figures at our airport through that period. It is only since the major incidents—the Whyalla Airlines crash and Ansett's crash, and I guess to some extent September 11, which had some effect on all airline operators including ours—

**CHAIR**—You did not drop a hell of a lot in the year of the crash compared with the previous year. You dropped from 49.9 per cent to 46.9 per cent.

**Mr Blythe**—But when you consider that the crash was on 30 May and the financial year ends on 30 June, there is not a lot of time—

**CHAIR**—I see what you mean.

**Mr Blythe**—The following financial year is a good indication and there was a significant drop in numbers—

**CHAIR**—Colleagues might like to refer to figure 1.

**Mr SECKER**—Are you doing anything like promotions to try to arrest that decline? Or is it more of a service for locals rather than you trying to attract tourists?

**Mr Blythe**—No. Council puts a lot of money—almost \$1 million a year, which is an enormous amount of money for a council of our size—into the promotion of tourism. We are also working very closely with the aquaculture industry to develop that industry in Whyalla, the idea being to widen our employment base. Whyalla has very much relied on the one industry over many years, and that is the steel industry. When that was strong, obviously the economy of Whyalla was strong. We realised that we cannot rely on the steel industry alone and we are trying to broaden that industrial base. But it takes time, and facilities like an airport are important in doing that. We also see the potential for a transport hub through our airport, but not with the pavement strengths we have at the moment. For example, we could not bring a BAe146 in, not on a regular basis, because it would destroy our runway.

**Mr SECKER**—I have not been to Whyalla airport, although I have been to quite a few others around South Australian. You might be able to tell me: how does the terminal compare with Mount Gambier or Kingscote, which I know very well?

**Mr Blythe**—I do not know Kingscote but, in terms of Mount Gambier, our airport terminal is much smaller. We did spend quite a deal of money on it in the early 1990s to expand it slightly and upgrade it, so it is quite a presentable building. But there are some problems there now. With two RPTs of similar size operating, when we have 30 or 35 passengers waiting to go out

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and passengers coming into the terminal from an incoming flight, there is very little space in there. Basically, we have modernised an old building.

**Mr Smith**—We have got some really strange operational practices. We have eight return flights a day—that is, four in and four out, and yet the two airlines depart within five minutes of each other. That seems a waste. There is no flexibility. That is not a matter for this committee.

**Mr SECKER**—It happens in a lot of places. It happens in Mount Gambier too.

**Mr Smith**—And it is all in the name of competition they say.

**Mr McARTHUR**—I just want to pursue this argument about defence using the facility and see whether we can get a bit more evidence for the committee. As I said before, it seems to me that defence and other instrumentalities are keen to use local government airports and they do not want to make a payment. Have you got any further evidence that the committee could use in putting some recommendations forward about the military using your facility and not making a true payment? Have you got some correspondence or some evidence of your discussions with the military about these arrangements?

**Mr Blythe**—We have some correspondence on file. But to clarify, the military are not using our airport at the moment because we refused them entry with their heavy aircraft so that they do not come in.

**Mr McARTHUR**—What do they now? Where do they land their aircraft—on their own strip?

**Mr Blythe**—No, they do not have a strip that is capable of taking large military aircraft within close proximity. They land their aircraft at Woomera and road freight their people in.

**Mr McARTHUR**—How do they use this Cultana training area? How do they service that?

**Mr Blythe**—They fly into Woomera and transport their personnel by road.

**Mr McARTHUR**—That would be a very economical operation, wouldn't it?

**Mr Smith**—No, it is not.

**Mr Blythe**—I spoke to the commander of one of the reserve units in Melbourne a couple of years ago when I was over there for an Airports Association meeting. He said that if they were not allowed to fly troops and equipment into Whyalla, they would not use Cultana for training because of the expense. They lose two days through travel time—a day down from Woomera and a day back. In a two-week training period to lose two full days of training plus the costs—

**Mr McARTHUR**—Have you done some feasibility studies in conjunction with defence about the advantages to both parties if you could upgrade your airport?

**Mr Smith**—Yes. I had a meeting with the then defence minister, Mr McLachlan, and put the proposition to him about going halves with us on upgrading the runway to 2,000 metres and

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strengthening it to the strength that C130s could land at. He told me straight out that he was not in the business of funding regional airports so we told him straight out that we were not in the business of providing facilities for the defence forces, because our RPT operations are our bread and butter and they are our first priority—the Defence Force operations are not our first priority. At that stage, it was going to cost just over \$3 million to do that work. We nearly got there. We nearly got to an agreement, but then East Timor intervened and now Iraq has intervened. All the defence spending dollars seem to be tied up elsewhere. We were nearly at a stage where discussions were taking place for an airfield construction team to come in and do the construction while we supplied the materials, but that has all fallen through too.

**Mr McARTHUR**—Are you still going to renew those negotiations?

**Mr Smith**—We would like to. We have not made any initiatives on that as yet, but I take on board what you are saying.

**Mr McARTHUR**—We are getting a reflection around the country that since the Commonwealth shifted the ownership to the local councils there is some evidence coming through that in 10 years time a lot of the smaller council owned airports will not be operative. You have given us very clear evidence that with the bigger aircraft and with the pavement depreciation even a good airport like yours will not be operative in 10 years time.

**Mr Smith**—That is correct.

**Mr McARTHUR**—We would like to have some evidence on this committee so we can put some recommendations to the government.

**Mr Smith**—One would think it was in the government's interest too, because to build an airport facility out at Cultana capable of taking C130 aircraft would surely cost more than \$1½ million.

**Mr McARTHUR**—I am sure the chair would accept some further evidence on a couple of those arguments. You were negotiating with then Minister McLachlan. He is a good South Australian and he would not even help you out. If you get these negotiations on the record then we have a chance of hearing what you are saying and putting the recommendations forward.

**Mr Smith**—Yes, we can do that.

**Mr Blythe**—So you would like us to take out of the files any correspondence we have and—

**Mr McARTHUR**—If you have some evidence about some of the discussions you have put forward on the record then it would give us the scope to at least look at how some of these remote airports and airfields are going to be maintained. I have a personal concern based on the evidence given and on my own research that a lot of these airports are going to be nonoperative in a very short space of time because of the lack of maintenance and lack of upgrade for new types of aircraft. It is a pretty simple proposition.

**Mr Smith**—But is there a case here for the defence of Australia as well?

**Mr McARTHUR**—People have to argue that case. You need to argue that case at your end. You know the local argument. You know the local facility. We would like to hear that expanded somewhat.

**Mr Smith**—Right.

**CHAIR**—I think it is an unfortunate circumstance when councils discourage the RAAF. I am not specifically targeting you; I really think that is an unfortunate circumstance, and there needs to be some mutual obligation taken into account here. I think Mr McArthur said we will probably pursue this with a bit more vigour as part of our report. I was just saying to the secretary of the committee that, if we look back to what the Eyre Peninsula was like, say, 25 or 30 years ago, in the seventies, it seems to me that you had very good bus services, you had rail services and you had pretty regular air services of Fokker Friendships and the like. Do I paint too rosy a picture or has there been a slow deterioration in all your modes of transport?

**Mr Smith**—I think the private car has sort of taken over in all areas. I think that has caused the demise of rail services.

**CHAIR**—Improvement in roads and things.

**Mr Smith**—Yes. When we—or AN in those days—were running our rail services, we were carrying passenger loadings of up to 90 per cent, but AN wanted to opt out of intrastate rail services in South Australia. They were running services to Mount Gambier and to Whyalla, but they were the only two passenger rail services at the time. They were not interested at all in running passenger services, only freight. They discontinued the service without what we thought was full justification, taking into consideration our passenger loadings on the rail cars. We have tried to get those services back through the private operators—Bluebird Rail. They have done feasibility studies which show that the cost per passenger for a one-way journey would be over \$100. When you can go to Adelaide on the bus for \$60, it is just not feasible. People probably would not use it.

**CHAIR**—Mr Smith and Mr Blythe, your evidence has been excellent. Your exhibit supports your earlier written submission. I thank you for the two supporting documents from the Cleve and the Le Hunte councils. I would like to thank you again, Mr Smith, for the interest you have shown in our inquiry both here and in Alice Springs. Many thanks for your attendance.

**Mr Blythe**—Thank you for the opportunity to present some evidence to this committee.

[11.18 a.m.]

**HOPE, Mr Keith, Community Projects Development Manager, Northern Areas Council**

**CHAIR**—Welcome. Although the committee does not require you to give evidence under oath, I need to remind you that these are proceedings of the parliament, and consequently they warrant the same respect as would attend the House of Representatives itself. It is customary to remind you and other witnesses that the giving of false or misleading evidence is a serious matter and could be considered a contempt of the parliament. Having made those cautions, you are very welcome and we look forward to your evidence. Would you like to give us a five-minute overview of your submission and then we will break into questions.

**Mr Hope**—With your permission, I have some written notes I would like to read from.

**CHAIR**—About five minutes?

**Mr Hope**—Probably less than that. Council thanks the committee for the opportunity to add to our original submission to this inquiry. On this occasion, we would like to touch on the economics or costs incurred by local government in maintaining rural airstrips. As we mentioned in our original submission, the airstrip at Jamestown is strategically of regional significance in that it is the only licensed airstrip east of the Flinders Ranges up to Broken Hill—that is, between Gawler and Hawker—suitable for Royal Flying Doctor Service access and night landing. The airstrip is managed by council with some additional work being undertaken by the Jamestown Flying Group—a group of community volunteers committed to supporting the town's airstrip.

Council's income and expenditure for maintaining the strip over the past four years is set out in the following table. I will leave this letter with you but I will precis the table: in the year ending 2000, the income we generated was \$1,600, the expenditure was \$12,000; for 2001, the expenditure income was \$900, the expenditure was \$19,000; for 2002, the income was \$1,200, the expenditure was \$9,000; and for this year to date, the income was \$800, the expenditure is \$5,000.

All income is derived from hire fees paid to use the terminal buildings for meetings, workshops and/or conferences, and lease fees associated with on-site buildings. Council has no other source of income associated with the airstrip. It can be noted from the table that the basic cost of maintaining the airstrip comes at some cost to council. Expenditure represents direct costs paid by council to maintain the facility and it includes plant and equipment, insurance, cleaning and payment of utilities. The figure does not include capital upgrades which have been deferred until funding can be made available.

With respect to capital upgrades, council will be required to spend a minimum of \$30,000 to upgrade lighting in accordance with Civil Aviation Safety Authority requirements and a further \$75,000 to resheet the runway to maintain a firm landing surface. For a council of the size of Northern Areas, this represents a five per cent shift in our rate revenue or is the equivalent of us undertaking 13 kilometres of unsealed roads. Upgrading our airstrip will be at significant cost to



council. I am advised that the cost to reseal our airstrip—that is, to bituminise it—with associated construction works will be in the region of a quarter of a million dollars.

It is council's wish to draw this inquiry's attention to another House of Representatives inquiry, into local government and cost shifting, where committee members will find numerous case studies of both state and federal governments imposing increasing levels of regulatory requirement on local government without any compensatory financial support. This is yet another case where the Civil Aviation Safety Authority sets out minimum safety standards for the operation of regional airstrips and local government is left to pick up the tab. The alternative for us, if we cannot afford the cost of upgrade, is not to have a regional airstrip. You could almost call it a form of economic blackmail.

We recognise that the issues we have raised may be outside the terms of reference of your inquiry but we believe the upgrading of regional airports must be fundamental to improving regional air services. The point we wish to make through our submissions is that council recognises the strategic importance of our regional airstrip. We will meet the upgrade requirements as demanded by the Civil Aviation Safety Authority but we would ask, through this committee, for consideration to be given to some federal funding support to maintain the nation's regional airport network.

**CHAIR**—Does this area you refer to exclude the city of Port Pirie?

**Mr Hope**—Yes, it does.

**CHAIR**—You are to the east of Port Pirie?

**Mr Hope**—Port Pirie is on the west of the Flinders Ranges. We are on the east.

**CHAIR**—What is the total population?

**Mr Hope**—Jamestown has a population of 1,400 people. Our council area has 5,000 people.

**CHAIR**—Is Jamestown the administrative centre?

**Mr Hope**—Yes.

**CHAIR**—You have three airports: Jamestown, Gladstone and Laura.

**Mr Hope**—We have one airport. Gladstone and Laura do not have airstrips. Only Jamestown has an airstrip.

**CHAIR**—Not even emergency strips for the flying doctor?

**Mr Hope**—Not even emergency strips.

**CHAIR**—On your rate base you are having trouble maintaining it. Do you have RPT—regular passenger services—of any sort?

**Mr Hope**—No.

**CHAIR**—What is your nearest centre for that?

**Mr Hope**—Port Pirie. If there are flights to Port Pirie, it would be Port Pirie. Outside that, it would be Port Augusta.

**CHAIR**—One thing you said troubled me, and I would be interested if you could flesh it out a bit more. Were you actually subjected to pressure to take the airport?

**Mr Hope**—No, not that I am aware.

**CHAIR**—You talked about economic blackmail.

**Mr Hope**—That is in the context that it is now a council responsibility to upgrade the airport and we are finding that the cost of upgrading the airport is increasing. As a council, we recognise the strategic importance of our airstrip but, given the regulatory requirements, if we do not upgrade it, it will be closed.

**CHAIR**—Is it implicit in what you say that the Commonwealth did not advise you what the likely costs were at the time of transfer?

**Mr Hope**—I cannot answer that. It was well before I joined council.

**CHAIR**—Do you have an asphalt runway at present?

**Mr Hope**—No, at the moment it is effectively a high-class dirt road. It is a sealed runway in terms of a compacted—

**CHAIR**—It does not have any loose gravel on it?

**Mr Hope**—No, that is right, but it is not bituminised.

**Mr HAASE**—You are saying it is sealed. Is it a geo-bind type product?

**Mr Hope**—It is sealed in the sense that it is compacted down.

**Mr HAASE**—What are the distances involved? I have been trying to find your location on the map, and I am unable to do so.

**Mr Hope**—If you took a coordinate north of Clare and east of Port Pirie, we would be at the intersection.

**CHAIR**—It is just over the Flinders Ranges.

**Mr HAASE**—What is the distance as the plane flies from your centre to Port Pirie?

**Mr Hope**—It is around 70 kilometres.

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**Mr HAASE**—What was the first germ of an idea for the air show? I read with interest in your submission about the fifth air show. What was the origin of that?

**Mr Hope**—It was the Jamestown Flying Group, who are aircraft enthusiasts. They wanted to encourage principally private small plane operators to come to Jamestown for some form of get together. In a sense it grew from that. The last air show, which was two years ago, attracted between 10,000 and 20,000 people over the two days. We had the Air Force Roulettes aerobatic team there. There were the warbirds—the reconditioned old fighter planes. There was the Southern Cross replica. It is on again in October. It does seem to get bigger and better.

**CHAIR**—How many aircraft do you get?

**Mr Hope**—In terms of the small planes that come in, upwards of 300 fly in for it.

**CHAIR**—That is an excellent air show.

**Mr Hope**—It is. We are getting to the stage now, particularly because of the value of the warbirds, where there is apparently some reticence from those owners to come because of the potential damage caused by loose stones kicking up and destroying their propellers or whatever. At this stage, I understand that they will come again this year, but whether they would come to a subsequent one without a significant upgrade is problematical. As you can appreciate, the air show is a significant economic boost for the town.

**Mr HAASE**—Perhaps you are a little deep in the forest and do not see the trees because I find it quite remarkable that you have attracted such an event, yet you are not sure what the catalyst was originally.

**Mr Hope**—No, unfortunately that was before my time.

**Mr HAASE**—Of all the hundreds of towns across relatively remote Australia, I find it quite remarkable that an air show of such magnitude has wound up in Jamestown, and I have to congratulate you on it.

**Mr Hope**—Thank you.

**Mr HAASE**—However, I am interested in understanding the rationale of the need for a major strip 70 kilometres from Port Pirie. You are only a hop, step and jump from Adelaide, as I now see it on the map. I suspect you would in fact be arguing the case that, because of the significance of the air show and the financial fillip that the community gets from it, we ought to be contemplating some form of financial support for your strip maintenance.

**Mr Hope**—That would be a key point. We would also argue that perhaps Jamestown is fortunate in having a superior complex of health services in the region. We are fortunate in having not only a couple of GPs but also an operating theatre and a surgeon. I guess that gives us the strategic importance of having the only services of that kind effectively between Port Pirie and the New South Wales border up at Broken Hill. There have been occasions where there have been road accidents and the like on the Barrier Highway and those people have been flown into Jamestown for emergency treatment.

**Mr HAASE**—Are there equal medical facilities at Port Pirie?

**Mr Hope**—There would be superior medical services at Port Pirie because Port Pirie has a population of 20,000 people and it is a much larger centre.

**Mr HAASE**—I would have thought 70 kilometres in the air would not have been strong justification for shortening up the trip. Are there bus services from Jamestown to Adelaide or services that link through Port Pirie to Adelaide?

**Mr Hope**—At the moment there is a bus service from Jamestown to Adelaide. It is a daily service; it comes up through Clare through to Peterborough and Orroroo.

**Mr HAASE**—Do you know the cost of that to Adelaide return?

**Mr Hope**—From Jamestown it would be about \$50 return; I think it is \$25 each way.

**Mr HAASE**—Whose bus line is it?

**Mr Hope**—It is Yorke Peninsula Coaches.

**Mr HAASE**—Is it privately owned?

**Mr Hope**—It is privately operated.

**Mr HAASE**—Do you know if that receives any state government subsidy?

**Mr Hope**—I am not aware whether it receives state government subsidy. I am aware that the state government through the Passenger Transport Board are in the process of developing an integrated passenger transport service for our region which will be subsidised by the state government and will have at least one or two twice daily services between our region and Adelaide.

**Mr HAASE**—Do you know if people of pensioner age living in Jamestown enjoy any discounts on the bus service?

**Mr Hope**—I think they would.

**Mr HAASE**—Are they offered that because of the benevolence of the private company or is it supported in some way through a state government system?

**Mr Hope**—It is probably supported through a pensioner card or the like.

**Mr SECKER**—I doubt that, actually.

**Mr Hope**—I am happy to be corrected on that.

**Mr SECKER**—I could be wrong too, but I do not know that they do a subsidy for country bus services.

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**ACTING CHAIR (Mr Gibbons)**—How long is the runway?

**Mr Hope**—It is about 1,000 to 1,100 metres.

**ACTING CHAIR**—Is there a cross-wind runway?

**Mr Hope**—No, there is only a north-south one.

**ACTING CHAIR**—It is just that you quoted a figure of \$250,000 to seal it. Since this inquiry has been under way we have heard some astronomical quotes for local airports. That price of \$250,000 seems very reasonable to me. Was that from a local contractor?

**Mr Hope**—It is an estimate at this stage.

**ACTING CHAIR**—It is not based on a quote?

**Mr Hope**—No, we are in the process of having consultants look at our airstrip, with a view to getting a firm figure for bituminising it. But at this stage it is a bit of a ballpark figure.

**Mr SECKER**—How much does the local government subsidise the airstrip?

**Mr Hope**—Based on those figures I read out before, it can vary from year by year. We spend somewhere between \$10,000 and \$15,000 a year on maintaining our airstrip complex.

**Mr SECKER**—If you are looking at \$300,000, that is certainly a lot more than what the local government is paying now.

**Mr Hope**—At this stage, it would be more than what we, as a council, could afford to pay.

**Mr SECKER**—So you are really looking for some sort of capital input from either state or federal government?

**Mr Hope**—Yes, it would be the only way we could have the airport bituminised.

**ACTING CHAIR**—What other infrastructure do you have on the property? What other buildings are there?

**Mr Hope**—We have what is effectively a terminal type building which doubles as a conference/workshop area, and that provides some income for council through hire fees from organisations using that facility for meetings and so forth. There are a couple of workshop buildings and many hangars on the airstrip which are owned by local enthusiasts. They pay a nominal fee to council to use those.

**ACTING CHAIR**—There is nobody else operating a business from the property at all?

**Mr Hope**—No, not at this stage. We do have considerable use of the airstrip, mainly with the learn to fly people, who tend to take off from Parafield and fly up to Jamestown and do a lot of their touch and goes there because we do not have a mechanism to charge landing fees and so

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they can come and buzz around our airstrip all day long and practice their landings and takeoffs. I am told that that is quite popular.

**ACTING CHAIR**—So there are no lights and it can't be utilised after dark?

**Mr Hope**—There are lights, but we have now been advised that we have to upgrade the lighting system. It is effectively run on 240-volt underground cables, and that has got to be toned back a bit. The estimate for undertaking that work is about \$30,000.

**ACTING CHAIR**—As there no other questions, Mr Hope, thank you very much for your appearance today. It is very much appreciated. I also thank the other witnesses.

Resolved (on motion by **Mr Secker**):

That this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 11.39 a.m.**